

ORIGINAL

RECEIVED

JUL 11 4 1995

**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of:)
) CC Docket No. 95-72
End User Common Line Charges)

REPLY COMMENTS

DOCKET FILE COPY ORIGINAL

Cable & Wireless, Inc. ("CWI"), respectfully submits its reply comments in the above-referenced rulemaking proceeding. The principal issues addressed in the comments filed in this proceeding is the application of End User Common Line Charges ("EUCL") or Subscriber Line Charges ("SLC") to derived channel services, such as Integrated Services Digital Network ("ISDN") and the concern for the increased common carrier line charges that may result from minimizing SLCs for ISDN.

None of the commenters supported current Commission Rules that require application of a separate SLC per each derived channel. CWI hereby reinforces its position that this policy creates an artificially inflated cost factor for ISDN users and consequently hinders development of this new technology thereby detracting the public interest. In its original comments, CWI supported minimization of SLC burden on ISDN access for the following reasons: (1) the importance that ISDN brings to the development of the National Information Infrastructure ("NII"); and (2) lack of justification for the application of one SLC per each derived channel from the policy and economic standpoint.

No. of Copies rec'd
List ABOVE

CL5

Minimizing SLCs for ISDN will remove substantial regulatory barriers that current SLC Rules create. ISDN has a great potential for providing to the consumers access to the NII in an economically and technically efficient manner. ISDN capability enables its users to access information at speeds up to ten times faster than conventional computer modem lines. From the technical standpoint, the cost of generating ISDN capability is low. Hence, given favorable regulatory environment that would minimize charges such as SLCs, ISDN would provide the means to affordable access to the information superhighway to general public. The benefits of implementation of the policy minimizing SLCs for ISDN extend to other emerging technologies, including ATM and Frame Relay. Minimized SLCs for all derived channel technologies will succor their development, increase the demand and will further the Commission's goal of regulatory parity of technologies.

The Commission should ensure however, that any change in SLC application, does not lead to artificial increase in interstate access rates, specifically common carrier line charges and SLCs applied to non-ISDN consumers. The function of SLC is to recover the cost of the local loop facilities. ISDN capability is derived through adding equipment to the network switch, rather than modifying the loop facility. None of the commenters demonstrated any local loop cost other than the cost of the same loop as the one providing plain old telephone service ("POTS"), that is derived from provision of ISDN. On

contrary, CWI and other commenters¹ stated in original comments that loops and their cost do not change by virtue of ISDN application. Accordingly, allocation of ISDN costs to non-traffic sensitive ("NTS") loop cost element is inappropriate as ISDN capability is a switching cost. If minimized SLCs for ISDN would in fact cause reduced SLC revenues, such reduction would "only reflect a cut back on artificially inflated NTS charges to the subscriber"². Appropriately, such "lost" revenues should not be allocated in common carrier line charges ("CCL") or any other cost areas. Such allocation would be unjustified and thereby detrimental to the public interest and to any principles supporting the logistics of the loop cost recovery by the LECs.

Notwithstanding awkwardness of current application of SLCs per derived channel, should this proceeding rightly minimize SLC application to derived channel technologies, the effect of such rulemaking on LECs revenues must be properly examined. The analysis that is based purely on current volumes of subscribers and decreased SLCs for ISDN, is deficient inasmuch as it does not take into account the increased demand for ISDN subscription that lower SLCs will bring. Minimized SLC burden for ISDN subscribers will stimulate the demand for ISDN and is likely to offset any need to increase other costs. More affordable access to ISDN that will undoubtedly result from lower SLCs as well as from the plummeting prices for ISDN equipment would not only increase the ISDN revenues but would create new revenue opportunities. The most immediate effect would be increased number of subscriber lines that would be provided for new ISDN

¹ See Comments of BellSouth Telecommunications, Pacific Bell and Nevada Bell, Rochester Telephone, Roseville Telephone, Southwestern Bell and Tennessee PSC.

² See Comments of Roseville Telephone Company.

subscribers. With applications such as access to libraries and educational institutions, shopping networks and telecommuting, the number of residential subscriber lines will grow at immense rate. A high volume of subscriber lines is bound to offset lower SLCs per line and the need to increase CCL charges. As number of residential ISDN subscribers would grow, so would the volume of commercial ISDN subscribers including shopping networks, businesses facilitating their telecommuting employees, educational institutions, banks and others. Businesses of all sizes will look increasingly to dedicated access for digital connectivity creating a significant new revenue opportunity.

CONCLUSION

For the foregoing reasons, CWI urges the Commission to consider the benefits that ISDN brings to the consumers as well as the logistics of SLC application from a policy, economic and technical standpoints, and accordingly minimize SLC application to derived channel technologies. Furthermore, the Commission should disallow shifting of the artificially generated revenues that currently are being collected through application of SLCs on per derived channel basis, due to lack of economic or technical justification for

these revenues and in view of the emergence of new technologies that will bring limitless new revenue opportunities which will offset the need to increase any other charges on account of lower SLCs.

Respectfully submitted,

CABLE & WIRELESS, INC.

A handwritten signature in cursive script, appearing to read "D. Smith", written over a horizontal line.

Dorota A. Smith
International and Regulatory Affairs
8219 Leesburg Pike
Vienna, Virginia 22182
(703) 734-4410

July 14, 1995

CERTIFICATE OF SERVICE

I hereby certify that on this 14th day of July, 1995, I caused copies of the foregoing "Reply Comments of Cable & Wireless, Inc." to be delivered via U.S. Mail to the following:

Peggy Reitzel
Policy and Program Planning
Division
Federal Communications
Commission
Common Carrier Bureau
1919 M Street, N.W.
Room 544
Washington, DC 20554

International Transcription
Services
2100 M Street, NW
Suite 140
Washington, DC 20037

Ameritech
Michael S. Pabian, Esq.
Room 4H82
2000 West Ameritech Center
Drive
Hoffman Estates, IL 60196-1025

National Public Radio
Stephen E. Nevas, Esq.
Vice President, Legal Affairs
and General Counsel
635 Massachusetts Avenue, NW
Washington, DC 20001-3753

Tennessee Public Service
Commission
Jeanne Moran, Esq.
General Counsel
460 James Robertson Parkway
Nashville, TN 37243

Frost & Jacobs
Thomas E. Taylor, Esq.
2500 PNC Center
201 East Fifth Street
Cincinnati, OH 45202

Sprint Corporation
Jay C. Keithley, Esq.
1850 M Street, NW
11th Floor
Washington, DC 20036

Sprint Corporation
W. Richard Morris, Esq.
P.O. Box 11315
Kansas City, MO 64112

Piper & Marbury L.L.P.
for The Commercial Internet
Exchange Association
Ronald L. Messer, Esq.
1200 19th Street, NW
7th Floor
Washington, DC 20036

Pacific Bell
Nevada Bell
Lucille M. Mates
140 New Montgomery Street
Room 1523
San Francisco, CA 94105

Pacific Bell
Nevada Bell
James L. Wurtz, Esq.
1275 Pennsylvania Avenue, NW
Washington, DC 20004

Microsoft Corporation
Jack Krumholtz
Law and Corporate Affairs
Department
Suite 500
5335 Wisconsin Avenue, NW
Washington, DC 20015

Stanley M. Gorinson
Preston Gates Ellis & Rouvelas
Meeds, Attorneys
for Microsoft Corporation
1735 New York Avenue, NW
Washington, DC 20006

AT&T Corp.
Peter H. Jacoby, Esq.
Room 3244J1
295 North Maple Avenue
Basking Ridge, NJ 07920

LeBouef, Lamb, Greene &
MacRae L.L.P., Attorneys for
Time Warner Communications
Holdings Inc.
David R. Poe, Esq.
1875 Connecticut Avenue, NW
Suite 1200
Washington, DC 20009

US West Communications, Inc.
James T. Hannon, Esq.
Suite 700
1020 19th Street, NW
Washington, DC 20036

Rochester Telephone Corp.
Michael J. Shortley, III, Esq.

180 South Clinton Avenue
Rochester, NY 14646

Keller and Hackman
Attorneys for
The American Petroleum Institute
Wayne V. Black, Esq.
1001 G Street, NW
Suite 500 West
Washington, DC 20001

Law Offices of Caressa D. Bennet
Attorney for
Rural Telephone Coalition
1831 Ontario Place, NW
Suite 200
Washington, DC 20009

Northern Arkansas Telephone
Company, Inc.
Steven G. Sanders, President
301 East Main Street
Flippin, AR 72634

Fletcher, Heald & Hildreth, P.L.C.
Attorneys for Roseville Telephone
Company
George Petrutsas, Esq.
11th Floor
1300 North 17th Street
Rosslyn, VA 22209

Center for Democracy and
Technology
Daniel J. Weitzner, Esq.
1001 G Street, NW
Suite 700 East
Washington, DC 20001

Bellsouth Telecommunications
Inc.
M. Robert Sutherland, Esq.
4300 Southern Bell Center
675 West Peachtree Street, NE
Atlanta, GA 30375

R. Michael Senkowski, Esq.
Attorney for Tele-
Communications Association
Wiley, Rein & Fielding
1776 K Street, NW
Washington, DC 20006

Bell Atlantic Telephone Companies
Lawrence W. Katz, Esq.
1320 North Court House Road
Eighth Floor
Arlington, VA 22201



Gail E. Cariota